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II. ASIA-AFRICA

*Iran-USSR: The Shah's interest in concluding a nonaggression treaty with the Soviet Union is causing grave concern and reassessment among Iran's Baghdad Pact allies. Turkey and Pakistan view the proposed treaty as a direct threat to the pact and are making major efforts to induce the Shah to reconsider. London is also trying to persuade the Shah to change his decision and, if this fails, is prepared to exert maximum efforts to get him to proceed cautiously.

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The Iranian foreign minister indicated to Ambassador Wailes on 1 February that Soviet-Iranian negotiations were stalled over Iranian membership in the Baghdad Pact and have a "very good chance" of breaking down. It has been considered unlikely that the USSR would insist on terms which would obstruct conclusion of these negotiations.

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Algeria: Several ministers of the Algerian rebel provisional government have informed the American Embassy in Tunis of their firm intention to prevent exploitation by France of Saharan oil resources. The rebels plan to "warn off Americans from Saharan districts" and discourage American oil companies from participation in French oil development projects. They fear American casualties might affect the US support they seek.

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DAILY BRIEF

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Kuwait: Kuwait appears almost certain to join the Arab League in the near future, according to the American consul there. The British cabinet is reported to have approved the idea as an alternative to allowing consuls from the other Arab states to establish themselves in Kuwait. The Ruler of Kuwait, however, may wish to accredit Arab consuls as well as join the league and contribute heavily to the Arab development fund project in an effort to ensure himself against radical Arab nationalist agitation.

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Libya: A Soviet delegation has arrived in Libya to complete negotiations for constructing and equipping two hospitals as gifts from the USSR. The Libyan Government is still "studying" other long-standing Soviet aid proposals--especially in the form of machinery and technical aid for development projects. At the same time, Libya is attempting to obtain increased American aid.

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Portugal: Persistent rumors in northern Portugal that the military are about to bring off a coup and force Prime Minister Salazar into retirement are symptomatic of the current political tension. A considerable number of army officers, mostly of junior grade, seem to be dissatisfied with the regime and to sympathize strongly with General Humberto Delgado, who campaigned for the presidency last spring and who, since 12 January, has been in asylum in the Brazilian Embassy in Lisbon.

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DAILY BRIEF

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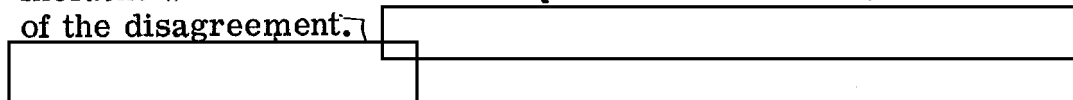
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***Iceland-UK:** (The fishery dispute between Iceland and the UK flared up again on 1 February when British warships intervened after an Icelandic patrol vessel had apprehended a British trawler operating within the four-mile limit off Iceland's east coast. This is the first serious incident since mid-November, although Icelanders have claimed repeated violations of their unilaterally proclaimed 12-mile limit. The incident will inflame Icelandic opinion and hinder any solution of the disagreement.)

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DAILY BRIEF

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II. ASIA-AFRICA

Iran's Negotiations with USSR Worry Baghdad Pact Allies

(Turkey, Pakistan, and the United Kingdom, deeply concerned over Iranian-Soviet negotiation of a nonaggression treaty, are urging that every feasible step be taken to save Iran and the Baghdad Pact. Turkey and Pakistan believe conclusion of such a treaty would reduce the Baghdad Pact to worthlessness. They emphasize that pact members would no longer have any confidence in military planning with Iran.)

(Turkish officials argue that bilateral defense agreements with the United States are important to Pakistan and Turkey only if Iran also signs such an agreement. According to Turkish Foreign Minister Zorlu, an Iranian agreement with the USSR would be a dangerous example which might spread to both SEATO and NATO.)

(The British are already exerting maximum efforts to dissuade the Shah from finalizing the agreement and to encourage him to proceed cautiously. They are willing to consider with the US some new type of guarantee to Iran, but they have advised the US that there is little Britain can do to provide Iran with additional financial assistance.)

(Moscow's awareness of the political impact of a Soviet non-aggression pact with a member of a free world defense organization is reflected in the arrival in Tehran of a high-level negotiating mission on 29 January to support Ambassador Pegov, himself an experienced diplomat. The Soviet Embassy counselor in Tehran, apparently probing to discover the status of US-Iranian negotiations, remarked to the US military attaché on 30 January that a pact with the USSR would probably prevent Iran from concluding an agreement with the United States. Soviet leaders, seeking a quick agreement which in their view would deal a serious blow to the Baghdad Pact will probably try to keep provisions of any Soviet-Iranian treaty as

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generalized as possible and avoid specific conditions unpalatable to the Shah. While the Iranian foreign minister indicated to Ambassador Wailes on 1 February that Soviet-Iranian negotiations were stalled over Iranian membership in the Baghdad Pact and have a "very good chance" of breaking down, it is considered unlikely the USSR would allow them to break down on this issue.

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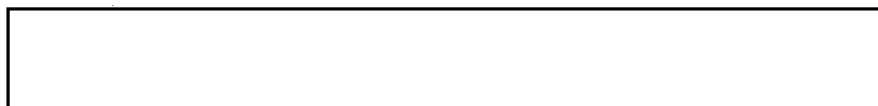
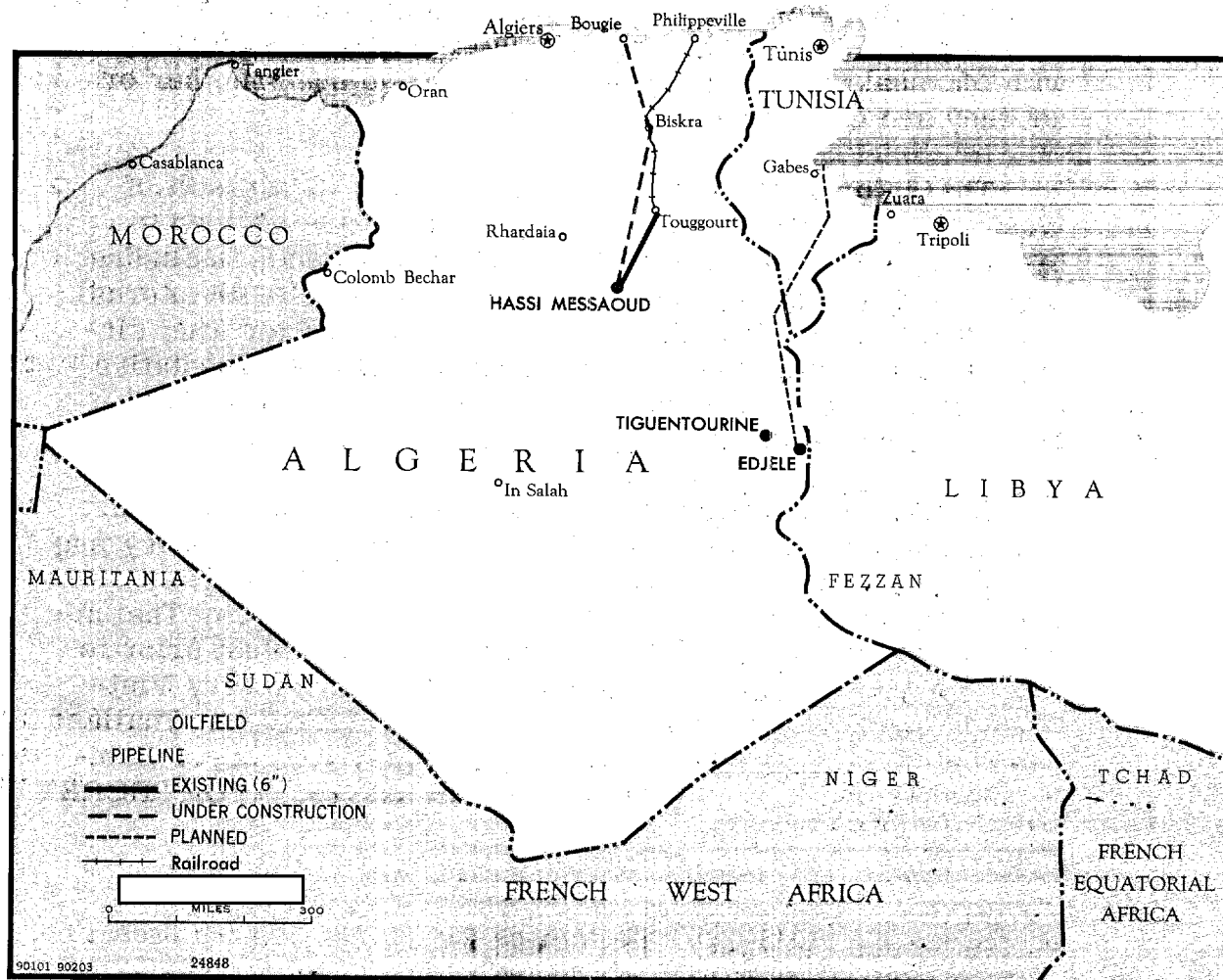
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Algerian Rebels to War on US Investors in Saharan Oil

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[Members of the Algerian rebels' provisional government (FLN)--including the ministers of information, armed forces, and cultural and North African affairs--informed the United States Embassy in Tunis on 28 January that American lives and property would be endangered if American companies participate directly in the exploitation of Saharan oil. The rebels said they have told several American companies, including Standard Oil of New Jersey, which obtained a North Saharan concession from France last month, that they have no objections to explorations for oil. The rebels will not, however, permit France to exploit the Sahara's petroleum resources.]

[The Algerians said that while operations inside Tunisia of the International Bechtel Corporation--an American firm laying a pipeline from the Edjele field in eastern Algeria to the Mediterranean in southern Tunisia--will not be bothered, no rebel effort will be spared to stop work in Algeria.]

[The rebels deny that France has any right to the subsoil wealth of either the Algerian or Saharan departments. The FLN has repeatedly attempted to sabotage the heavily guarded pipeline-rail route activated in January 1958 to link the Hassi Messaoud field with the seacoast, scoring the first major success two weeks ago by blowing up an oil train, destroying 11 of 18 tank cars.]

[Other targets for rebel activity are the construction crews which last fall began laying a 420-mile pipeline from Hassi Messaoud to the port of Bougie. This route, scheduled for completion this fall, will yield an estimated output of 31,500,000 barrels of crude petroleum in 1960--nearly 15 times the 1958 output of the temporary pipeline and rail system. France, which is basing its economic development program for Algeria on the exploitation of the petroleum and natural gas resources of the Sahara, hopes by 1962 to obtain virtually all its estimated crude requirements from the Sahara.]

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III. THE WEST

Army Coup Rumored in Portugal

Persistent rumors in northern Portugal that the military are about to stage a coup and force Prime Minister Salazar into retirement reflect continuing political tensions. These rumors, reported by the American consul in Oporto, are reminiscent of the situation last July when a number of military officers reportedly were planning a revolt against the regime for 8 August, the day of President Americo Thomaz' inauguration. The move was to take the form of a march from Oporto and Braga to Lisbon.

A considerable number of army officers, mostly of junior grade, are said to be disgruntled over what they regard as favoritism regarding promotions and over the regime's unnecessary severity last May in repressing popular demonstrations in favor of the oppositionist presidential candidate, General Humberto Delgado. These officers are regarded, in the north at least, as being strong supporters of Delgado, who obtained asylum on 12 January at the Brazilian Embassy in Lisbon to avoid arrest by the police. Opposition leaders in Oporto, who have recently been appealing publicly to the army to oust Salazar, maintain that the army will not permit rough treatment of Delgado.

The likelihood of a coup attempt might be strengthened if ex - Army Captain Henrique Galvao, who escaped from a Lisbon hospital on 15 January and is still at large, should succeed in establishing direct contact with dissatisfied elements of the military. Galvao, an outspoken critic of the regime, probably still enjoys the respect of many army officers and is popularly regarded as a martyr because of Salazar's unremitting hostility to him. He is also a close friend of Delgado, and if the two work together the general might be able to make good the prediction he reportedly made [redacted] that "Salazar has six months in which to leave the country or else he will never leave it alive." [redacted]

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Franco Regime Appears Uncertain in Face of Growing Difficulties

The Franco regime seems unsure of itself in dealing with various types of opposition activities.

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On 1 February rightist and liberal opposition groups in Madrid announced the formation of the Union Espanola, in defiance of the ban on all parties except the Falange. Three days earlier Joaquin Satrustegui, a liberal monarchist and wealthy Basque industrialist and a member of the new party, had strongly criticized the Franco regime at a dinner in Madrid attended by some 100 army generals, bankers, lawyers, and university professors. The Union Espanola, in which the left-wing Christian Democrats, Social Democrats, Socialists, and Anarchists are not participating, existed as a group at least a year ago without government interference. The regime permitted Satrustegui, a representative of the group, to attend a meeting of monarchist factions held in Estoril on 6 January 1959.

Should the regime fail to crack down on the Union at this time, in contrast to its severity in arresting 40 to 80 Socialists last November on charges of illegal political activity, its forbearance would probably be due to hesitancy to alienate powerful sources of financial aid and nuclei of support in the event that Franco eventually announces the restoration of the monarchy. Whether or not the regime takes strong action, public discontent is likely to make itself heard to an increasing extent.

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